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ABSTRACT

Four major concerns are currently shaping national rural development policy: (1) rural population and employment are increasingly diverse but physical isolation and low population density limit essential public services; (2) many geographically concentrated rural communities continue to have high rates of very low income; (3) rural governments are faced with adapting to change and providing a diverse array of public services; and (4) significant relationships exist among natural resources, agriculture, and rural communities. To deal with rural development, the Rural Development Policy function has been elevated within the Department of Agriculture (USDA). The Administration has directed that USDA rural development grant and loan programs focus on the most rural communities and that farming be treated as an integral part of rural development. The Administration will rely heavily on the private sector for development initiatives. Responsibilities of the Cabinet Council on Food and Agriculture have been expanded to include rural development, the Office of Rural Development Policy has been established, and the Advisory Council on Rural Development Policy has been announced. Participation in rural development policy formation will be sought via Advisory Council input, public hearings, national interest group input, and the direct participation of certain states and communities. (SB)

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WORKING TOWARD
A NATIONAL RURAL DEVELOPMENT STRATEGY:

A Progress Report

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Transmitted by the
Secretary of Agriculture
to the Congress

January 1982

Office of Rural Development Policy

U.S. DEPARTMENT OF AGRICULTURE

RC014724

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

0 2 FEB 1982

To the Chairmen and Ranking Minority Members of the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture:

Transmitted herewith is a progress report on the formulation of the national rural development strategy called for in the Rural Development Policy Act of 1980.

We have directed our Office of Rural Development Policy to prepare a strategy that will provide for (1) identifying emerging rural issues and needs on an ongoing basis; (2) strengthening State and local government roles in rural development; (3) contributing to strengthening local economic viability and improving community resources through encouraging the private sector to expand its role in rural development; and (4) developing and implementing policy guidelines that can provide sound government program direction for service to rural America.

We want this strategy to be a practical and positive response to the diverse problems and opportunities of rural America. Such a rural development strategy must be flexible, based on regional, State, and local differences.

This report provides a brief overview of current rural conditions, identifies emerging rural policies, and details the process that is being established for formulating and updating the national rural development strategy. We believe you will find our approach sound and responsive to the current national move toward greater involvement of State and local governments and the private sector in shaping developmental thrusts. We will keep you informed of our progress and would welcome your comments.

Sincerely,

John R Block

Enclosure

WORKING TOWARD
A NATIONAL RURAL DEVELOPMENT STRATEGY:
A Progress Report

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I. INTRODUCTION

Background

The Rural Development Policy Act of 1980 called for the Secretary of Agriculture to prepare a national rural development strategy.

The act requires that the national rural development strategy be primarily based upon input from States, substate regions, and local communities. The strategy being planned goes further. It anticipates that State and local government will have an even greater responsibility for rural development. Further, it is based on the precept that programs that the Federal Government administers will be operated in a manner responsive to State and local priorities. The first step in implementing the Rural Development Policy Act has been to work toward the establishment of a process for formulating the strategy based on multilevel contributions and anticipating local and State governments' responsibilities and critical role. Also, during the development of this process, data from the 1980 census will become available and new Administration and Departmental policies directly affecting rural development strategy will have evolved. Multilevel inputs, census data, and the policies are all necessary foundations for a meaningful rural strategy.

The strategy called for in the act is to be comprehensive in functional scope as well as in jurisdictional boundary coverage. Functionally, the law specifies that the strategy will take into account the need to:

- Improve the economic well-being of all rural residents and alleviate the problems of disadvantaged rural residents;
- Improve business and employment opportunities, health care, educational and training opportunities, housing, transportation, community services and facilities, and accessibility to private and public financial resources for employment purposes;
- Improve State and local government management, institutions, and programs related to rural development;

- o Strengthen the family farm system; and
- o Maintain and protect the environment and natural resources of rural areas.

Rural Development Budget

The fiscal year 1982 budget reflects the Administration's actions to redirect rural development priorities and to return responsibilities to the private sector and to State and local governments. Based on Administration recommendations for a number of Federal departments and agencies, it will contain over $8.1 billion in expenditures and credit for rural community and infrastructure development; over $1.4 billion for rural business and economic assistance; over $11.5 billion for rural housing assistance; and over $1.2 billion for revenue sharing. In addition to these amounts, substantial portions of the expenditures in farm and conservation programs are directly related to rural development, but it is almost impossible to specify relative shares.

The Administration's fiscal year 1983 budget was not completed in time to be analyzed for this report.

Report Contents

This report documents the actions taken during 1981 toward development of the national rural development strategy called for in the Rural Development Policy Act of 1980. It contains:

- o Data and commentary on current rural situations and opportunities;
- o A statement of Federal policies applicable to rural development that have emerged during this Administration;
- o Discussion of some of the rural development actions that have been taken to support these policies; and

- o An outline of the actions that have been or will be taken to formulate the mandated national rural development strategy during the coming year.

II. DATA AND COMMENTARY ON RURAL CONDITIONS

Introduction

In the United States, rural areas share many of the same conditions as urban areas. But, no matter how rural areas are defined (here we have used the unsatisfactory "nonmetropolitan" concept because most data are gathered on this basis), they have unique features stemming from small scale, isolation in various forms, a traditional association with farming and natural resources, and differing histories of economic and social development. These unique rural features lead to four primary concerns that are currently shaping national rural policy:

(1) While rural population and employment have become increasingly diverse, physical isolation and low population density in many rural counties still pose a serious challenge to efforts to meet essential public facility and service needs;

(2) Very high rates of extremely low incomes continue among a significant number of geographically concentrated rural counties;

(3) Rural governments are having to anticipate and adapt to a variety of social, economic, and demographic changes and to provide an increasingly diverse array of public services; and

(4) The relationships among natural resources, agriculture, and rural communities are significant and have a major influence on rural development.

This section briefly discusses these four rural conditions as they relate to rural development.

Population and Employment

Rural areas grew significantly during the 1970's--in population by 15.8 percent and in employment by 28.5 percent. Their relative income positions also improved, although that improvement appears to have ceased by the mid-1970's. Rural incomes are still only 80 percent of metropolitan area incomes.

Nonmetro population totaled 63 million in 1980 (using 1974 SMSA boundaries), 28 percent of the U.S. total. From 1970 to 1980, the nonmetro population growth rate exceeded the urban growth rate for the first time in 160 years. Nonmetro areas grew by more than 8 million people, at least 3.5 million of whom migrated from metro areas. This growth took place in every region of the country, although some 450 rural counties (primarily in the Great Plains, the Corn Belt, and the Mississippi Delta) continued to lose population.

In 1979, nonmetro nonfarm employment totaled 21.5 million (23 percent of total U.S. nonfarm employment). The leading nonmetro employment category is manufacturing, followed by government, trade, and services. Manufacturing is the leading source of employment in the South and East, while services lead in the West.

Farming continues to be a leading source of income, providing 20 percent or more of proprietors' and laborers' income in nearly 670 rural counties. These counties are concentrated in a large triangle of the Midwest, with its corners in eastern Montana, western Wisconsin, and west-central Texas. Decades of farm

consolidation and accompanying outmigration have left these counties sparsely settled. In total, they contain 13 percent of the nonmetro population, averaging 12,000 residents per county.

Another measure of farming's importance is that there were 1 million farm operators who reported no off-farm employment in 1978, and 1.5 million hired farmworkers who reported working only in farming (1979). In addition, there were nearly 1 million farm operators and 0.5 million farmworkers whose principal employment was in other sectors, but who also had income from part-time participation in farming.

Nonfarm wage and salary employment in nonmetro areas grew by almost 4.8 million during the 1970's. Nearly 80 percent of this growth was accounted for by four sectors: wholesale and retail trade, services, manufacturing, and the State and local part of government. Rapid employment growth--more than 50 percent for the decade--occurred in two traditionally rural industries, agricultural services and mining (see table 1), but combined these sectors provided only 3.4 percent of rural nonfarm wage and salary jobs.

Table 1.--Estimates of Nonfarm Wage and Salary Employment 1/

Item	1969	1979	Change, 1969-79	
			Absolute	Percentage
Nonmetro:				
Goods-producing industries	5,751,763	7,027,751	1,275,988	22.2
Mining	346,709	540,944	194,235	56.0
Contract construction	744,604	1,078,626	334,022	44.9
Manufacturing	4,660,450	5,408,181	747,731	16.0
Service-producing industries	10,975,663	14,470,515	3,494,852	31.8
Agricultural services	110,952	188,943	77,991	70.3
Wholesale and retail trade	2,910,250	4,260,872	1,350,622	46.4
Transportation, commerce and public utilities	794,347	1,001,843	207,496	26.1
Finance, insurance, and real estate	410,981	679,107	268,126	65.2
Services	2,618,167	3,524,530	906,363	34.6
Government	4,130,967	4,815,219	684,252	16.6
Total	16,727,426	21,498,265	4,770,839	28.5
Metro total	60,251,562	73,023,720	12,772,158	21.2

1/ Detail may not add exactly to totals due to rounding.
Source: Bureau of Economic Analysis, U.S. Dept. Commerce.

New migrants to rural areas are most likely to be working in service jobs, wholesale and retail trade, and manufacturing. They are much less likely than longer term rural residents to be employed in farming. The large share of new migrants working in services and trade, and their low representation in farming, contributes to the increasing diversity of rural pursuits.

Transfer payments as a share of total personal income in nonmetro areas were 12.1 percent in 1979, compared to 7.9 percent for metro areas. During the decade, increases in transfer payments--consisting primarily of social security retirement and disability, not public assistance, food stamps, medicaid, or other welfare-type programs--were the third largest contributor to nonmetro personal income growth. They were exceeded only by earnings from manufacturing and increased property income.

Population and employment are distributed in three distinct geographic categories of nonmetro America: (1) counties adjacent to metropolitan areas, (2) nonadjacent counties with cities of 10,000 to 50,000 population, and (3) nonadjacent counties with no cities of 10,000 or more population. The distribution of population and employment within these categories is shown in table 2.

Table 2.--Nonmetro Population and Employment

Item	Population, 1980		Employment, 1979 1/	
	Total (mil.)	% of nonmetro	Total (mil.)	% of nonmetro
Adjacent counties	32.9	52.2	10.7	50.7
Nonadjacent counties with cities of 10,000-50,000 population	13.6	21.6	5.5	26.1
Nonadjacent counties with no cities over 10,000 population	16.5	26.2	4.9	23.2
Total nonmetro	63.0	100.0	2/ 21.1	100.0

1/ Nonfarm wage and salary employment only.
2/ This total differs slightly from that in table 1 because a slightly different definition of nonmetropolitan was used in gathering the data.
Source: Census data.

There are many rural counties lacking an urban center of 10,000 or more, and without ready access to a larger scale nonmetro city or metro center. For such areas, physical isolation and low population density pose a serious challenge in meeting public facility and service needs. Some of these areas have been among the most rapidly growing in rural America during the 1970's.

Low-Income Families

In 1980, 11.3 million nonmetro residents were at the lower end of the income scale. These people comprised one-third of all the Nation's poor. Sixty percent of the 11.3 million live in the Southern States, where over 18 percent of nonmetro residents have low incomes. All in all, 41 percent of nonmetro

blacks, 27 percent of the Hispanics, and 13 percent of the whites are poor. Much higher proportions of Indians on reservations are poor.

In contrast to many of their urban counterparts, low-income rural families are often active in the labor force. In other words, rural low incomes result not only from unemployment 1/ but also from low wages and part-time employment. In part, these problems stem from limited skills, training, and education; but they also reflect a shortage of adequate employment opportunities in many rural counties.

In the hundreds of rural counties that have suffered from persistent disadvantage for decades--mostly in Appalachia and in the predominantly black counties of the South--the lack of educational and economic opportunities has produced a labor force less able to compete for increasingly skilled and technical jobs. Poor housing and inadequate water and sewer systems and medical services also are part of the heritage of low incomes and restricted revenue sources. Most importantly, poor education and limited job experience and skills constrain many individuals from improving their income levels. Thus, very high rates of poverty continue among a significant number of geographically concentrated rural counties. Neither the strong rural growth trend of the 1970's nor public development programs begun in the 1960's have ameliorated their poverty conditions.

1/ Unemployment rates in nonmetro areas have been as high as those in metro areas since the first quarter of 1980. They also peaked at a higher rate during the last recession, and are likely to do so again.

Furthermore, in growing rural communities, those long-term residents with the most limited job skills may not be able to compete with newcomers for the best jobs. This means many of them may not benefit from the growth. In fact, their plight may sometimes be worsened by growth in the face of localized inflation caused by sudden shortages of housing and desired services. Nevertheless, unpublished data from an Economic Research Service survey indicate that longer term residents do remarkably well overall in competing for executive, administrative, managerial, and professional jobs with new migrants.

Local Government

In recent years, rural governments have grown in size, capability, and importance. By 1977, nonmetro governmental employment was nearly as great as that of metro areas, on a per capita basis.

Often, problems faced by rural governments result from the fact that existing Federal programs, delivery systems, and eligibility criteria are best suited to urban areas. Innovative adaptation has been required to make them appropriate in a rural setting.

The need for more sophisticated local government has also been amplified by new residents bringing urban values to nonurban settings. Out of these values spring demands for urban-type services that rural governments are not accustomed to dealing with.

In most growing communities, moderate growth has raised incomes and has brought about improved services and facilities. In some communities, however--such as the fastest growing or those starting from the lowest levels of past public investment--investment in public facilities seriously lags behind population growth because sufficient new revenues lag behind the needs. For example, even though new plant construction brings an influx of workers whose pay contributes immediately to the local economy, these workers--as well as inmigrating unemployed people hoping to fill future job openings--create demands for both public and private services. However, not all the new revenues that will accrue to the community from the plant are realized until plant operations start up, which may take several years.

Also, growth does not always provide the expected fiscal benefits to the local communities. Communities usually hope that a new plant will increase tax revenues and allow tax rates to be lowered for their citizens. However, they often underestimate increased public costs, such as sewer hookups, tax exemptions, school expansions, and the like, so that, for some years, the local fiscal situation may be worsened rather than helped by new plants.

Population increases and changes in demand for services create two problems for rural America: (1) costs of the newly demanded services are often higher than in urban areas because of scale (small populations scattered over large areas); and (2) value conflicts between longer term rural residents and inmigrants, and between urban and rural ways of doing things, create social tension and can make problem resolution more difficult.

Even though the ratio of rural local governmental employment to total population is as high as in urban areas, rural governments are many and

small in scale. The smallest jurisdictions, with very few public employees, often deal with the same myriad of issues (including public health and safety, streets and bridges, economic development, and education) that in larger jurisdictions employ dozens or even hundreds of specialists. Traditionally, rural communities have relied on volunteer and community organized efforts to assist local governments with many public health and safety responsibilities.

In addition to issues relating to increasing and conflicting demands for services, local rural officials are increasingly required to deal with an ever-broadening range of issues that are national in scope. These include Federal (national) decisions on energy policy, environmental protection, regulation and deregulation (for example, in transportation); the continued displacement of irreplaceable farmland; and, in many important farming regions, depletion of available water supplies and competition for water between agriculture and new municipal and industrial uses.

Natural Resources, Agriculture, and the Community

Agricultural/Community Relationships. The relationships between agriculture and rural communities continue to have major significance for rural development. For example, as agriculture becomes more specialized, greater stress is placed on the natural resources. In areas of high soil erosion this can cause agricultural production to decrease, creating economic stress on the community. In other ways, agriculture has had, and continues to have, a significant positive impact on employment and income levels in many rural communities. Conversely, as rural life has become more complex, agriculture has become more dependent upon the rural community in which it is carried out.

Historically, more rural communities have depended upon agriculture for their economic livelihood. In recent decades, however, the rural economy has become increasingly nonagricultural in character. In 1979, agriculture provided only about 11 percent of total nonmetro employment; during the 1970's, agriculture actually experienced a small decline in total employment. As agricultural employment declines, other sectors must expand if a community is to maintain or expand its level of employment. However, some regions have experienced declining agricultural employment that has not been offset by increased nonagricultural employment. In these regions, rural communties also tend to be declining. Under these rural employment conditions, successful rural development policy and programs focus on the entire rural community and not primarily on a single sector such as manufacturing or farming.

To be healthy and viable, production agriculture needs to be part of healthy and viable rural communities. Agriculture is increasingly dependent upon rural community decisions and policies relating to taxation, water, land use, transportation, the environment, and so forth. These community decisions, in turn, depend heavily upon the management and problem-solving abilities of local government officials.

Natural Resources and Agriculture. Agricultural production has become increasingly important to meet world food demand and is a foundation for the economies of many rural communities as well as for our Nation as a whole. At the same time, increased production is creating a strain on natural resources. Late in 1981, USDA established priorities for addressing problems associated with soil, water, and related resources.

The highest priority is reduction of soil erosion to maintain the long-term productivity of agricultural land. Soil erosion is reducing productivity on 141 million acres of cropland, one out of every 4 acres farmed. Between 1969 and 1980, land in crop production increased from 299 million to about 364 million acres. Much of the increase occurred in regions having high average per acre rates of sheet and rill or wind erosion. Many of these newly planted acres have been devoted to crops that subject land to greater erosion than in its previous use as pasture, range, or forest land.

The second highest need is reduction of flood damages in upstream areas. About 175 million acres of flood plains on nonfederal rural lands in the United States are subject to flooding from a 100-year storm. About 16 percent of the Nation's prime farmland is on flood plains. Flood damages in 1975 to crops, pasture, urban property, and other properties such as roads, bridges, and utilities were more than $1.7 billion (in 1975 dollars).

Water conservation and supply management, water quality improvement, and community-related conservation problems have the next priority.

The importance of water supply for agriculture and rural communities is underscored by the realization that irrigation accounts for 47 percent of the

fresh water diverted or withdrawn and 81 percent of all water consumed in the United States.

Pollution from nonpoint sources is receiving wider attention as point sources are gradually brought under control. Chief agricultural nonpoint source pollutants include sediment, salinity, animal wastes, nutrients, and toxic materials.

Rural and urban communities make critical land use decisions that require technical guidance--for example, guidance on how to avoid development in flood plains, on prime or unique farmlands, or where there are unstable soils.

III. EMERGING POLICY DIRECTIONS

Introduction

Implementation of the basic policy of returning responsibility to State and local government was begun early in 1981 and will continue in the months and years ahead. This returning of responsibility plus the diminished funding for remaining Federal programs makes it essential that Federal actions are focused on those areas and functions where need is greatest and are coordinated with related actions of States and localities. This is particularly true for rural areas.

A number of policy directions that are more specifically rural related have emerged during this Administration that support this approach and respond to these efficiency and coordination imperatives. This section of the report discusses these policy directions and the beginning USDA actions that have been taken in response to them as the Department carries out its overall rural development leadership and coordination responsibilities. It also discusses our response to the policy emphasis on local-State-Federal partnerships and private sector initiative from the viewpoint of meeting rural development objectives. As we proceed with formulating a national rural development strategy, further policy guidance will be derived from the Administration's response to inputs from localities and States.

Rural Development Policy Function

The Rural Development Policy function has been elevated within the Department of Agriculture. To indicate clearly the Administration's intent to give strong support to rural development, to strengthen the policy management focus within USDA, and to facilitate interagency, interdepartmental, and intergovernmental coordination, the Secretary has transferred the rural development policy function from a line agency--the Farmers Home Administration--and created the Office of Rural Development Policy (ORDP). ORDP reports directly to the Under Secretary for Small Community and Rural Development, who is the Secretary's principal on matters relating to rural development. The policy office has responsibility for working cooperatively with all USDA agencies, other appropriate Federal agencies, and State and local governments in addressing rural development policy issues. The office also leads the executive branch effort in coordinating the formulation of the rural development strategy called for in the Rural Development Policy Act of 1980.

"Genuinely Rural" Emphasis

The Administration has directed that USDA rural development grant and loan programs focus on communities that are most rural in character. This determination is to be implemented in cases where existing authorities permit. Current authorizations for some rural development grant and loan programs permit funding in communities up to 50,000 population. Many such communities are in the suburban fringe of major metropolitan areas and are, therefore, more urban than rural in character.

As one step in implementing this policy, the Department is exploring a uniform and appropriate "rural" eligibility requirement for purposes of USDA nonfarm loan and grant programs. Meanwhile, FmHA community programs have been focused toward the smaller, genuinely rural communities.

The smaller, more rural communities are generally the ones whose most serious community facilities needs are those concerned with community health and safety (for example, water, sewer, fire protection, and primary health care). However, USDA program authorities currently permit assistance to a wide range of community facilities and services. In keeping with the new focus on the smaller rural communities, the Administration has directed that the Department's community facilities programs concentrate on community facilities clearly essential for the health and safety of the community. In support of this policy, USDA has modified the focus of an ongoing community facilities needs study to emphasize the most essential community facilities.

In addition, USDA-supported development projects are being examined as to scale, and support is being extended to proposals only of a size and manageability suitable to rural areas.

Agriculture and Rural Development Partnership

The Administration has directed that rural development policy and programs treat farming as an integral part of rural development. This is in recognition of the important role of agriculture and farm families in the stability and prosperity of numerous counties in rural America, agriculture's significance for our gross national product and balance of payments, and its contribution to the very character of our rural areas and the deepest values of the Nation. The Administration is aware that the Congress has in the 1981 Farm Bill reaffirmed the historical policy of the United States to foster and encourage the family farm system of agriculture in this country.

As evidence of the increased emphasis on the role of agriculture in rural development, the Administration has broadened the focus of the Cabinet Council on Food and Agriculture to include rural development within its concerns. Thus, rural development concerns are receiving the same high level attention as farm, commodity, and food programs, and are considered in relation to them. This action and the rural development coordinating role of the Cabinet Council are discussed further on pages 25 and 26.

In a recent rural development action, USDA has started the New Full-Time Family Farmer and Rancher Development Project in 81 counties in 10 States. Active or retired successful farmers and ranchers and other community members, voluntarily serving on Local Development Committees, provide management planning assistance and onsite guidance to the project participants. Private sector volunteers who represent farm and forestry organizations, farm lending institutions, vocational agriculture, Future Farmers of America, and other groups serve on the committees along with the volunteer farmers and ranchers. The farmers and ranchers are those who currently serve on USDA committees or who, in some other way, assist in the local administration of USDA programs and services.

A significant feature of the project is the presence of private lenders on the local committee. Participation of private lenders as committee members from the outset will facilitate participants' movement from FmHA credit to commercial credit in an orderly fashion within 5 to 10 years. With its emphasis on local control, the project also provides a greater opportunity for local development officials to have input into coordinated Federal assistance to family farmers and ranchers.

It should also be noted that in recognition of the vital importance of agriculture in the rural and national economy, the 1981 Farm Bill included a new thrust to promote soil and water conservation, improve the quality of the Nation's waters, and preserve and protect natural resources through the use of effective conservation and pollution abatement programs.

Local-State-Federal Partnership

The Administration's policy emphasis on transferring responsibilities back to local areas is being applied to rural development to achieve an intergovernmental partnership appropriate for the 1980's.

State and local officials are facing severe pressures to improve local facilities and services for a number of reasons. These include the return of considerable responsibility and authority to State and local units of government, the persistence of low incomes and allied problems in a number of rural areas, and problems associated with overly rapid growth in others. The Administration's policy here is one of providing to the maximum extent possible technical information and knowledge transfer to help local governments increase their role in initiating and managing rural development. A successful local response to these challenges requires more efficient service-delivery systems and local government management systems, as well as greatly increased voluntary

involvement of local citizens and the private sector in community decisionmaking for rural development.

Ever more rapid change in technology in both the public and private sectors creates added problems for rural areas. Modernizing rural industries and attracting new manufacturing or service industries require skills in applying the latest technology. Taking advantage of the efficiencies of new technologies in the provision of public services also requires frequently updated skills. Thousands of part-time elected and appointed officials highly dedicated and motivated in their public service are greatly in need of additional training and in involving a broader base of volunteer local citizens in the rural development process. Whereas a system exists to transfer the latest technology and management principles to agricultural producers, there is a need to develop the means of transferring information on management and technology to local officials and to small-scale rural business enterprises.

Within USDA, the 1981 Farm Bill provides policy direction for a number of Soil Conservation Service programs through measures that strengthen the local-State-Federal partnership in a variety of ways. In addition, the Secretary of Agriculture's preferred program for soil and water conservation builds on using existing governmental relationships to expand the capacity of State and local governments to recognize and solve resource problems. Central to this effort are local conservation districts, county Agricultural Stabilization and Conservation committees, and Extension advisory committees. These work closely with the local offices of the Soil Conservation Service, Agricultural Stabilization and Conservation Service, and Extension Service to

provide technical assistance, financial assistance, and information and education services to landowners.

Several other actions are also being taken to further intergovernmental partnerships. The research and extension staffs of land-grant universities will be asked to expand their programs of technology transfer and technical assistance to local governments. To help identify challenges faced by rural governments in a time of rapid change, and to develop information on innovative approaches and alternative resources to deal with the challenges, a national-level rural symposium has been scheduled. The symposium, co-hosted by USDA and the Rural Governments Coalition, will bring together local, State, and Federal officials and others concerned with rural development to address the costs and effects of local government functions; local government management and institutional capacity; human, natural, and fiscal resource availability; and relations between local governments and outside organizations.
Additionally, the Administration will be working to reduce burdensome and inappropriate regulations that inhibit local governments from effectively initiating or participating in rural development and which inhibit private sector investments in productivity-improving technology for rural areas.

In this era of much greater sharing of responsibility for rural development by Federal, State, and local governments, USDA is emphasizing intergovernmental coordination to assure that development actions such as those discussed above are consistent with and complementary to other activities affecting rural development. Wherever appropriate, State-level coordinating structures will be used for coordination. The Department is also exploring other means for improving coordination and cooperation among local, State, and Federal governments.

Private Sector Initiative

For rural development, as for urban development, the guiding policy is to rely more heavily on the private sector for development initiatives and to take the necessary actions that will enable the private sector to be a more effective force in development. To this end, the President's Economic Recovery Program emphasizes reducing the Federal tax burden on individuals and business and industry to the maximum extent feasible and freeing the private sector of as many regulatory constraints as possible. These basic policies stem from the recognition that it is primarily the investments of the private sector, not public sector pump priming, that drive development. This changed role perception has stimulated increased emphasis throughout the Federal establishment on finding ways to create more effective public-private partnerships and ways to better assist private sector endeavors. It is becoming clear that the Federal role should be more that of a facilitator than that of prime mover.

Although USDA, particularly through its field staff, has a long history of working closely with the farm and ranch community through education and Extension activities, crop reporting services, loan participation and guarantees, and technical assistance to help protect the natural resource base, it has not developed the same depth of relationships with those in the nonfarm sector. To remedy this situation, the Department's Office of Rural Development Policy is, for example, working with a variety of groups to find ways to pool knowledge and broker expertise to the benefit of private sector interests in

order to foster job development and economic expansion for rural people. Such information networks occur naturally in our larger urban areas, but the most rural counties do not have a large variety of expertise "in residence." Consultations are underway with a variety of interest groups to stimulate their involvement in helping to make their know-how available in rural areas.

Individual USDA program agencies are also being directed to increase their efforts to facilitate rural development action on the part of the private sector. As just one example, the 1981 Farm Bill provided policy direction for many Soil Conservation Service programs in a way that calls for greater private sector initiatives.

IV. THE STRATEGY FORMULATION PROCESS

Background

The Rural Development Policy Act calls for the Secretary to establish a process for formulating a national rural development strategy that takes into consideration:

- o National conditions, needs, and policies;
- o Local, substate, State, and multistate needs, objectives, and recommendations;
- o Public hearings findings; and
- o Federal program rural-urban inequities.

This section describes the steps that the Secretary has taken, and will be taking, to design and implement the required process and then to formulate the national rural development strategy called for in the act.

Executive Branch Leadership and Coordination

Preparation and implementation of the national rural development strategy will be the Secretary's principal means of exercising his national rural development leadership and coordination mandate. This mandate was given to him by the Rural Development Act of 1972 and the Rural Development Policy Act of 1980.

The President's Cabinet Council on Food and Agriculture is directed by the Secretary of Agriculture as Chairman Pro Tempore. This is the means assigned him by the President for exercising interdepartmental rural development leadership and coordination. The responsibilities of the Cabinet Council on Food and Agriculture have been expanded to include rural development. The

Secretary will use this Council to bring rural issues, concerns, and recommendations to the attention of appropriate Cabinet members. He is using his own USDA Policy and Coordinating Council for intradepartmental rural development leadership coordination. The USDA Rural Development Committee, chaired by the Under Secretary for Small Community and Rural Development, has been established within the Coordinating Council to assure coordination and cooperation across all relevant agencies of the Department.

In October 1981, the Secretary established the Office of Rural Development Policy, which reports directly to the Under Secretary, through transfer of the rural development policy function from the Farmers Home Administration. This office has been assigned responsibility for preparing the rural development strategy, for staffing the USDA Rural Development Committee, and for providing liasion with State rural development committees. ORDP will also provide staff for the Secretary's National Advisory Council on Rural Development.

The Advisory Council, announced in October 1981, will be composed of representatives of a broad spectrum of public and private interests as well as interested citizens concerned with rural development. The Secretary will use the Council as a source of public input and new ideas and as a sounding board for recommendations.

Strategy Participation

The Office of Rural Development Policy is designing a systematic process for obtaining participation in the formulation of the rural development strategy. This will be primarily a knowledge-pooling process whereby the rural development

knowledge and expertise accumulated throughout the public and private sectors over the past several years will be used in formulating the national rural development strategy. The emphasis of this process will be on bridging the gap between the public and private sectors, shifting from emphasis on public infrastructure investments to a private investment strategy, and enhancing the functioning of the private sector in relation to rural development.

Because the Secretary is primarily concerned that the strategy be responsive to local needs, the major thrust of this strategy preparation process will focus on obtaining State and local participation. These inputs are also necessary because the act requires that the national strategy be based upon needs, goals, objectives, plans, and recommendations of those levels of organization. More importantly, State and local participation will be obtained because without such active involvement in the strategy preparation process, there can be no assurance that governments and voluntary citizens groups at those levels will choose to participate in the rural development strategy that is implemented. Without local participation, the rural development process is incomplete.

Four primary activities have been established for pooling rural development knowledge and for obtaining strategy participation. First, the National Advisory Council on Rural Development will be called upon for guidance regarding broad needs of rural people and for advice on general policy and program directions to address those needs.

Second, the Department will conduct a limited number of public hearings as required by the act, to give local citizens and public officials the opportunity to identify their needs, express their concerns, and make suggestions for development policy.

Third, a concerted effort is underway to gain increased participation from both public and private interest groups at the national level. Through ongoing research projects and direct membership participation, the public interest groups reflect extensive knowledge and understanding of State and local needs. Increased involvement of private interest groups is essential for strategy formulation and implementation of subsequent rural development activities that must rely heavily on private sector initiatives.

A final activity for obtaining strategy inputs will involve direct participation of selected States and local communities. Unique State or local needs or rural development accomplishments will be examined in detail to determine those principles that may be applied on a national basis.

Federal Program Review

The strategy will also reflect the results of a systematic review of Federal programs having the most impact on rural areas. The staff of the Office of Rural Development Policy will be leading this review, which is required in the 1980 act. As specified in the law, one focus of the review will be an examination of the urban-rural distribution of assistance. Another will be identification of obstacles to rural participation in each of an entire range of programs. The results of this review will be valuable not only for assessing programs but also as a tool in the design of new programs by the various States as they assume larger roles in rural development. Decentralization creates opportunities for better tailoring of efforts to local situations and for experiments on a more manageable scale. It requires analysis of programs at every level to ensure that what is good is shared and what does not work is corrected. It also requires new forms of communication so that results are disseminated.

Staff groups will be organized across relevant Federal program areas to conduct the review. Input from States and localities, including their recommendations for program changes, will be obtained during the program review process.

Strategy Formulation

Because rural communities are so diverse, the national rural development strategy must be flexible enough to meet widely varying needs as expressed by localities and States and by public and private participants in the needs identification process.

The emphasis of the national rural development strategy formulation process will be placed on encouraging responsiveness and flexibility so that programs at all levels of government will better:

- o Adapt to specific needs and objectives;
- o Provide technical assistance where needed;
- o Link public resources with private resources to provide the maximum potential for additional rural jobs;
- o Respond to the most critical community facilities needs in the most genuinely rural communities.

Staff of the Office of Rural Development Policy will have responsibility for synthesizing the results of the needs assessment process, the public hearings, the Federal program review, and the proceedings of the National Advisory Council on Rural Development into the rural development strategy implementation plan.

Strategy Implementation

A process is being designed for implementing the national rural development strategy as that strategy unfolds. The implementation process will contain three closely related components: (1) State and local involvement, (2) private sector involvement, and (3) Federal-level involvement and responsibilities.

There are two aspects of State and local involvement in the strategy implementation process. First, the strategy will reflect increased State and local responsibilities in the rural development process. Steps will be taken to assure that officials at those levels are aware of such responsibilities; technical assistance will be provided to State and local officials to help them fulfill their responsibilities.

Second, the State and local implications of Federal programs and Federal budgetary items will be conveyed to State and local officials and local citizen groups. The Office of Rural Development Policy will work closely with the national USDA Rural Development Committee, with appropriate committees at the State and local levels, and with public interest groups representing State and local governments to assure that these aspects of State and local involvement are understood.

Private sector involvement in the rural development strategy will be promoted at all levels of government. State and local public officials and local citizens groups will be encouraged and assisted to work closely with local business firms and private development groups. Joint public-private development efforts will be emphasized.

At the Federal level, increased USDA interagency coordination and involvement will be promoted through the USDA Rural Development Committee. Across Federal departments and agencies, increased coordination of programs

serving rural areas and simplification of program regulations will be promoted through the President's Council on Food and Agriculture.

Reporting

Just as rural development is an ongoing process, so is rural development policy and strategy formulation and implementation. The appropriate committees of the Congress will be informed as significant new rural development policies are established, strategy elements are identified and adopted, and implementation steps are taken.

In addition, a formal report will be made each year to the Congress. The annual report will provide a comprehensive review of the overall rural development policy, strategy, and implementation actions.